

ORDER NO. 1829

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Robert G. Taub, Vice Chairman;
Mark Acton;
Tony Hammond; and
Nanci E. Langley

Priorities for Future Data Collection
And Analytical Work Relating to
Periodic Reporting

Docket No. RM2011-3

SUMMARY OF RECENT RESEARCH ACTIVITY
AND INQUIRY REGARDING TIMETABLE FOR
COMPLETING ANALYSES AND APPLYING RESULTS

(Issued September 5, 2013)

I. INTRODUCTION

In this docket, four research areas were previously designated as near-term priorities for updating or revising estimates of attributable costs—city delivery carrier street time, purchased highway transportation, postmaster costs, and the window service costs incurred by new retail special services.¹ A third technical conference was held on August 7, 2013. At that conference, the Postal Service discussed the recent progress that it has made collecting input data and preparing it for analysis and modeling with respect to these four research areas. This notice summarizes the Postal

¹ See Order No. 1626, Order Setting Near-Term Priorities and Requesting Related Reports, January 18, 2013.

Service's recent research activity and asks it to comment on the desirability of submitting the results of its modeling of regular delivery time for regulatory review when it has been completed, rather than deferring its submission until its modeling of parcel/accountable time is also complete and ready for regulatory review.

II. SUMMARY OF RECENT ACTIVITY

With respect to postmaster labor costs and window service costs, the Postal Service reported no new research activity since the progress report that it filed in April of this year.² With respect to purchased highway transportation capacity costs, the Postal Service has examined data on route length and cubic foot miles from the Transportation Contract Support System (TCSS) database and found that it is suitable for updating the established model of the variability of purchased highway transportation capacity. It reports that the effort to update the established model is now underway.

With respect to the volume variability of purchased highway transportation capacity, the Postal Service investigated the suitability of using capacity-utilization-rate data from the Transportation Information Management Evaluation System (TIME) and Surface Visibility data systems to model that relationship, but found those data were not accurate enough to serve that purpose. It stated its intent to investigate the suitability of using day-of-the-week Transportation Cost System (TRACS) data, such as that developed in Docket No. N2010-1, to model the volume variability of purchased highway transportation capacity.

At the technical conference, the Postal Service explained that its basic approach to updating the established model of the variability of city delivery carrier street time costs is to infer the effect of Delivery Operation Information System (DOIS) volumes on cost pools of street delivery time derived from recent route evaluation data taken from Form 3999. The Postal Service divides the Form 3999-based cost pools into regular

² See Postal Service Report Regarding Cost Studies: Response to PRC Order No. 1626, April 18, 2013.

delivery activity (the volume variable time spent delivering letters and flats) and allied activity (fixed time). This division relies on Form 3999 data collected primarily in Fiscal Year (FY) 2013.

The Postal Service has concluded that in order to obtain comprehensive estimates of city delivery carrier street time variability, the DOIS volume data must be supplemented with data reflecting the volume of mail collected by carriers from customer receptacles. To obtain those data, the Postal Service conducted a special data collection in May of this year. Over 12 delivery days, it sampled general collection mail volumes on all of the routes in 300 ZIP Codes. It reports that the data collected are nearly comprehensive in terms of sample ZIP-Code-days reported, relatively free of obvious non-sample error, and consistent with collection mail volume estimates obtained from Carrier Cost System (CCS) sample data. It, therefore, deems the data collected to be suitable to allow modeling of the volume variability of regular street delivery time to go forward.

The Postal Service breaks down the process of updating the established model of the volume variability of regular delivery time into the following seven steps:³

1. Obtain collection mail volume over the 12-day sample period;
2. Combine the collection volume data obtained from the special data collection effort with regular DOIS volume (DPS mail, cased mail, FSS mail, and sequenced mail) for the same 12-day period and same ZIP Codes;
3. Calculate the delivery time for each ZIP Code day using DOIS street time and Form 3999 allied time;
4. Construct needed characteristic variables (e.g., miles per delivery point, dominant ZIP Code delivery mode);

³ See Report on Research Progress presented by the Postal Service at the August 7, 2013, technical conference (http://www.prc.gov/prc-docs/home/whatsnew/Technical_Conference_Presentation_Aug7_2013_Final.pdf), slide 31.

5. Pick a suitable equation form;
6. Choose appropriate econometric techniques to fit the model; and
7. Use the constructed input dataset to estimate the regular delivery time equation at the ZIP Code level and calculate the volume variabilities of the various volume (bundle) types.

The Postal Service reports that it is currently at Step 4 in the process of estimating the volume variability of regular delivery time.

III. NOTICE OF INQUIRY

The Postal Service has concluded that in order to obtain a meaningful estimate of the volume variability of the time spent on the street delivering parcel and accountable mail, it will have to supplement DOIS volume data and Form 3999 time data with another special data collection effort. It says that this effort will require sampling of the volume of large parcels (whose delivery requires deviating from a regular delivery route) and the volume of accountable mail. It says that it will also require sampling of the time spent on the street delivering large parcels and accountable mail. It says that this special data sampling effort has yet to be designed, but may be ready to conduct in the Spring of 2014.

In the Postal Service's Scoping Study,⁴ it presents a list of important operational changes that have been made in the carrier delivery environment since 2002, when the data that underlie the established variability model were collected. Taken together, those extensive changes suggest that updating the established model of regular delivery time will result in potentially large improvement in the accuracy of attributable city delivery carrier street time cost estimates at the product level.

Based on the discussion at the third technical conference, it is the Commission's understanding that the Postal Service intends to proceed with the modeling of regular

⁴ Scoping Study Report of the United States Postal Service, May 25, 2012, at 2-4.

delivery time variability while the second special data collection effort is designed and implemented. At that conference, after it was observed that regular delivery time accounts for most of total street time, the Postal Service was asked whether it would be technically feasible to estimate an updated model of regular delivery time separately from estimating an updated model for parcel/accountable delivery time. The Postal Service replied that the two categories of attributable cost are treated as additive in the Cost and Revenue Analysis report (CRA), and that it would be technically feasible to estimate the two variabilities separately. The Postal Service added, however, that it might be desirable to defer updating unit attributable street time costs until updated unit costs were available for all of the affected products.

The Commission seeks the Postal Service's input on whether it expects to complete its modeling of both regular delivery time and parcel/accountable time early enough in 2014 to be proposed as changes in analytical principles and incorporated in its Annual Compliance Report (ACR) for FY 2014. If the Postal Service does not expect to complete its modeling of parcel/accountable time early enough to ultimately be used in its FY 2014 ACR, the Commission seeks the Postal Service's views as to the benefits and drawbacks of incorporating an updated estimate of unit attributable delivery costs for letters and flats in its FY 2014 ACR, even if a corresponding update is not available for the unit attributable delivery costs of parcels and accountables.

The Commission requests that the Postal Service respond to this inquiry by October 7, 2013.

By the Commission.

Ruth Ann Abrams
Acting Secretary